File Cig Outlets

March 27, 1996

Mr. Paul Owen
Chambers & Owen, Inc.
1733 Morse St.
P.O. Box 1489
Janesville, WI 53545

Dear Paul:

As we discussed I have attached the PM presentation made regarding cigarette outlets. Also listed are some thoughts in that regard. Please call if you have questions.

Cigarette Outlets

- Approximately 5,000 nationally > category growing.
- Accounts for 8% to 10% of total industry volume → growing.
- Smoker friendly single minded approach.
- Price is driving force behind their growth
- Not only everyday low price brands but manufacturers' heavy promotions.
- No less than 51% of in-store sales dollar volume is generated from the cigarette category.
- Average volume 1,200 cartons per week.
- Small percentage extremely high volume (3,400+ CPN) 5.5%.
- Trend:
  - Original Cigarette Outlets - I-95 (low tax states) Indian Reservations
  - Second generation - Border stores, strip center locations
  - Third generation - Candy/tobacco/vendor jobber owned/operated
- Issue: Cigarette outlet chains are becoming more prevalent. PM supporting expansion of this concept.

Ed

E. M. McAtee
Business Information and Analysis

EMM:tig

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